ResponsibleSteel GHG Standard: Proposals (2022-02-24)

24th February 2022, 10.00am – 11.30am (GMT)
Antitrust statement

ResponsibleSteel™ is committed to complying with all relevant antitrust and competition laws and regulations. Failure to abide by these laws and regulations can potentially have extremely serious consequences for ResponsibleSteel™ and its members, including heavy fines and, in some jurisdictions, imprisonment for individuals. ResponsibleSteel™ has therefore adopted an Antitrust Policy, compliance with which is a condition of ResponsibleSteel™ membership and participation. You are asked to have due regard for this Policy today and indeed in respect of all other ResponsibleSteel™ activities.

1. Conclusions/ next steps from last week

2. Outstanding issues for today:
   a. Crude steel imported to site
   b. Charcoal from waste biomass, reclaimed wood, waste plastic
   c. Averaging crude steel GHG emissions intensity data/levels across multiple sites
   d. ResponsibleSteel GHG emissions intensity performance levels and thresholds
1. Conclusions/next steps from last week

- **Update draft standard:**
  - Populate upstream emissions data table with average and default data: **NB CORRECTION FROM LAST WEEK**

- **Ongoing issues: proposals to be developed and discussed before finalisation**
  - Convene technical working group to build on worldsteel CO2 methodology to develop proposals on: Carbon Capture and Utilisation (CCU); exported energy (electricity, heat, steam); export of process gas for energy generation
  - Develop and include a proposed approach for import of crude steel to a site
  - Develop proposals for GHG emissions for charcoal from reclaimed wood/waste biomass/waste plastic (for discussion of related ESG issues, please contact Dave Knight: dave.knight@oneplanet.biz)
  - Averaging of disclosed GHG performance across multiple sites in a group:
    - Finalise proposed constraints on the categories of sites/steel products that can be averaged together
    - Averaging across performance levels: e.g. proposal that claims should be set at the lowest level within a group of sites, rather than (potentially) averaged up.
  - Threshold levels: on basis of discussion, propose to develop 4 levels based on equal steps from ‘average’ to ‘near zero’, and NOT to have levels that attempt to reflect an agreed steel sector transition to near zero. Further work needed to develop ‘terms of reference’ for the 5-yrly reviews of thresholds.

- **Stainless steel GHG thresholds:**
  - The stainless steels sub-ground hasn’t reached agreement on an approach to scrap for stainless steels, nor on a methodology to address the issue of multiple input materials (Cr, Ni, etc).
  - Aperam has developed a proposal to share with the membership – see next slide
  - GHG threshold levels for stainless (and other high alloy) steels will not be included in the standard at this point. The stainless steel working group will continue to develop options, including consideration of Aperam’s proposed approach, and bring a proposal back to discuss with the full membership prior to voting at a later date.
Carbon Capture and Utilisation (CCU); exported energy (electricity, heat, steam); export of process gas for energy generation

- Small working group meeting 25th Feb, and 29th Feb
- Includes reps from ArcelorMittal, TataSteel, BlueScope, Ceres, CATF, Challenge Sustainability, worldsteel

Energy generated from waste gases
- On the table: worldsteel CO2 data methodology as basic approach: site receives ‘GHG credit’ based on value of electric grid emissions for generated power

CCU
- On the table: worldsteel CO2 data methodology as basic approach
- CATF suggestion:

  “Responsible Steel’s default position should be that the CO or CO₂ from steel that is sold as a product for reuse be considered not to reduce the steel’s emissions. However, the steel mill can claim all or part of the reduction associated with the reused product if there is an agreement with the buyer that spells out how much of the emission reduction each one of them owns. In the case where the agreement gives the steel mill the full value of the emissions, then they can claim it. But often the agreement is likely to share the reduction benefits. The extent of the claim probably needs to account for the lifecycle benefits of the alternative.”
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Crude steel imported to the site

Proposal

1. When crude steel is imported to the site for downstream processing, e.g. rolling, galvanizing, etc:
   a. If the imported crude steel is ResponsibleSteel certified steel it can be mixed with crude steel produced at the site, and all production can be ResponsibleSteel certified steel
   b. If the imported crude steel is NOT ResponsibleSteel certified steel it must be kept separate from ResponsibleSteel certified steel produced at the site, and cannot be marketed/labelled as ResponsibleSteel certified steel. Separation may be physical, or by effective codes/marking

2. When crude steel is imported to the site and is used as an input material for smelting, it is considered in the same way as for other ferrous input materials, and the applicable rules in relation to identification of sources and progress on ESG issues would apply
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Proposal

- Waste biomass (e.g. branches, sawmill offcuts, sawdust, etc)
  - Same as for other wood charcoal:
    - FSC-certified plantation sources, chain of custody verified
    - Upstream emissions default = zero
    - Upstream emissions may be less than zero (i.e. recognising sequestration) on basis of independent verification against credible standard, including emissions of harvesting and processing
    - Direct (scope 1) emissions count in full

- Reclaimed wood (e.g. wood from demolition):
  - Upstream emissions default = zero
  - Direct (scope 1) emissions count in full

- Waste plastic (pre-consumer, post consumer)
  - Upstream emissions default = zero
  - Direct (scope 1) emissions count in full
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Averaging crude steel GHG emissions intensity data/levels across multiple sites:

i) averaging within a ‘business unit’

Proposed glossary definition: ‘Strategic Business Unit’:

“A strategic business unit (SBU) in business strategic management, is a profit center which focuses on product offering and market segment. SBUs typically have a discrete marketing plan, analysis of competition, and marketing campaign, even though they may be part of a larger business entity.

An SBU may be a business unit within a larger corporation, or it may be a business into itself or a branch. Corporations may be composed of multiple SBUs, each of which is responsible for its own profitability. SBUs are able to affect most factors which influence their performance. Managed as separate businesses, they are responsible to a parent corporation.

Companies today often use the word segmentation or division when referring to SBUs or an aggregation of SBUs that share such commonalities.”

Proposed guidance (8.7.2.b.ii):

Steelmakers wishing to disclose the crude steel GHG emissions intensity performance for a group of sites as a weighted average shall define the strategic business unit to which all the sites in the group belong, and provide evidence that the sites are managed as a strategic business unit as described. The steelmaker must be able to demonstrate that the sites within the group meet customer orders through a collective production schedule managed at the level of the business unit, and do not market their own products as separate entities.”
Proposed steel types:

- carbon and low alloy steels (<8% alloys and other elements)
- stainless steels (>10.5% chromium)
- high alloy steels (>=8% alloys and <10.5% chromium)

Proposed guidance: sites producing high alloy steels/stainless steels will be subject to quantitatively different crude steel GHG intensity thresholds/levels, and cannot be included in a ‘weighted average’ model for claims, as part of a group of sites with a mixture of steel types.
Previously agreed: in all cases, all sites within a group must achieve the ‘basic’ (level 1) threshold individually.

Option 1: ‘weighted average determines level for the group’
- The weighted average of the GHG emissions intensities, and the overall proportion of scrap input for all sites within the group is determined and disclosed on the RS website. The performance level for the group as a whole (i.e. level 1, 2, 3 or 4) is thereby determined, and applies to all sites in the group.

Option 2: ‘group level set at the lowest level for members of the group’
- The weighted average of the GHG emissions intensities, and the overall proportion of scrap input for all sites within the group is determined and disclosed on the RS website. BUT, the performance level for the group as a whole (i.e. level 1, 2, 3 or 4) is set by the worst performing site in the group.
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Proposal

- 4 initial ResponsibleSteel crude steel GHG emissions intensity performance levels, evenly spaced:
  - Level 1: 2020 global average
  - Levels 2 and 3: transition levels
  - Level 4: ‘near zero’, aligned with MPP/First Movers Coalition (incl. scope 3)
ResponsibleSteel GHG emissions intensity performance levels and thresholds

Proposal

• Performance levels will be reviewed every 5 years, and will be modified in accordance with a Terms of Reference to be agreed by the ResponsibleSteel Board, to include:
  • Threshold levels will be reviewed and revised as required with the objective to achieve the fastest global transition to a near zero steel sector
  • The review must take account of:
    • The progress of the steel sector worldwide in reducing GHG emissions intensity for the production of crude steel, based on best available data
    • Projections for further progress based on public commitments by steelmakers worldwide, and progress in the commercialization of new technologies
    • Projections at the time for sectoral decarbonization required to achieve the goals of the Paris Agreement
    • The status of demand side commitments to purchase/support ‘low GHG’/‘near zero’/‘net zero’ steel, including consideration of public procurement commitments, private sector commitments, finance sector commitments and relevant policies in relation to trade, carbon pricing, etc
  • The default expectation is that the ‘basic’ threshold for ResponsibleSteel certified steel will become increasingly demanding over time, with the timing to be determined in accordance with the considerations above.
• The review will be carried out by a committee of ResponsibleSteel members, comprising equal numbers of business and civil society members, and overseen by the ResponsibleSteel Board.
Outline proposal by Aperam for an approach to define GHG thresholds for stainless steel
Proportion of scrap used as an input

GHG emissions intensity of crude steel (tonnes CO₂e/tonne crude steel)

- **Level 1:** ResponsibleSteel certification threshold – 2020 global average
- **Level 2:** Transition
- **Level 3:** Transition
- **Level 4:** ‘Near Zero’